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ABSTRACT

The Workforce Investment Act of 1998 (WIA) was the first significant attempt to retool the nation's workforce development programs since the early 1980s. Titles I-V of the WIA do the following things: (1) establish the purposes, goals and operational framework of a workforce development system designed to increase participants' employment, retention, occupational skills, and earnings through one-stop centers in all local workforce investment areas; (2) reauthorize adult education and family literacy programs through fiscal 2003; (3) amend the Wagner-Peyser and related acts; (4) reauthorize Rehabilitation Act programs and link them to state and local workforce development systems; and (5) authorize states to unify workforce programs and other general provisions. Key features of the WIA are as follows: planning; one-stop service delivery; work-first and service sequencing; systemic accountability; and market mechanisms. Research on implementation of the WIA in Texas, Tennessee, and Washington has identified a number of practical issues related to funding, the one-stop approach, access to training, and information management that states must face as they attempt to implement the WIA. Those planning and implementation issues take on greater significance in the context of the following significant issues arising under the WIA: authority, autonomy, collaboration, personal responsibility, and market versus institutional approaches. (MN)

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ROCKEFELLER REPORT

THE WORKFORCE INVESTMENT ACT OF 1998

Restructuring Workforce Development Initiatives in States and Localities

DANIEL O'SHEA AND CHRISTOPHER T. KING
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The University of Texas at Austin

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Albany, New York

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The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, was established in 1982 to bring the resources of the 64-campus SUNY system to bear on public policy issues. The Institute is active nationally in research and special projects on the role of state governments in American federalism and the management and finances of both state and local governments in major areas of domestic public affairs.

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Abstract

The Workforce Investment Act of 1998 (WIA), the first significant attempt to retool the nation's workforce development programs since the early 1980s, represents broad support for a national workforce development system based on informed consumer choice, universal access to employment and training services, more systemic accountability, strong local governance, and active private sector participation. This report discusses key features of WIA and the early implementation experiences and challenges faced by states and localities, based largely on research in Texas, Tennessee, and Washington State.

The report indicates that the implementation of the Act raises many practical implementation issues, and that the prospects for dramatic change depend on the will and capacity of states and localities to endorse the system-building intentions of the Act, as well as the closeness with which voluntary and mandatory provisions contained within WIA conform to existing state and local workforce development polices and practices. The challenges of building partnerships and establishing proportional fiscal responsibility for "one-stop" service delivery; the tensions between the "Work First" approach contained in WIA and access to substantive education and training; and the uses of information technology, performance measures, and provider eligibility criteria are among the many implementation issues presented.

The report continues the discussion of "devolution" that began with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 by raising issues regarding the balance of authority between the state and federal governments, the relative autonomy of localities within states, and the relationship between market-based and institutional approaches to workforce development.

The Rockefeller Institute provided research support to the authors from the Ray Marshall Center for the Study of Human Resources at The University of Texas at Austin. The Institute plans to conduct field research on workforce development policies and programs in 2002.

Introduction

After several years of deliberation, Congress passed and President Clinton signed into law the Workforce Investment Act of 1998 (WIA), the first significant attempt to retool the nation's workforce development programs since the early 1980s. The law represents consensus for a workforce development system that reduces duplication of administrative functions, efficiently allocates resources, and improves effectiveness at meeting the needs of job seekers and employers (USDOL 1998). The Act purports to accomplish these ends by encouraging a system based on informed consumer choice regarding career development, universal access to employment and training services, more systemic accountability, performance-based management, strong local governance, active private sector participation, and increased labor market responsiveness at the state and local levels. Effective July 1, 2000, states and localities became accountable for implementing provisions of the Act.

WIA can be perceived as an outcome of events and processes operating in several arenas. Rapidly changing technologies and an increasingly global economy have heightened concern in the United States and other nations for building a world-class workforce development system.[1] The contribution that a skilled workforce makes to national productivity growth and its potential for enhancing international competitiveness are now widely recognized (Dar and Gill 1999, ILO 1998). Several states have taken the lead innovating workforce development practices over the last decade (Grubb, et al. 1999). Workforce development also supports the local efforts of civic leaders to attract and maintain sustainable, living-wage employment to strengthen families and the communities in which they live (Van Horn 1996).

The challenges of workforce development are many. The design of such a system should be comprehensive in terms of providing access to activities and services that address the education and training needs of individuals at all points in their career pathways, including youth and other new entrants to the workforce, incumbent workers, and dislocated workers. The workforce development system should also serve employers, whether large or small, public or private sector, helping them to secure a skilled, productive workforce by providing state-of-the-art employment and training services. This requires a high degree of employer engagement in the workforce development system, as well as intergovernmental (e.g., federal/state/local) and interagency (e.g. labor, education, human services, commerce, etc.) collaboration.

Whether WIA moves the country toward a premier workforce development system remains to be seen. To begin with, the Act contains a combination of mandatory and voluntary provisions that attempt to provide a common national framework for workforce development, while encouraging flexibility and responsiveness in local service delivery. For example, the Act specifies representation in governance structures, but governors and local elected officials may "grandfather" previous structures if they correspond to the inclusiveness intent of the Act. Similarly, WIA specifies that some programs are required and some are optional in "one-stop" employment and training centers, but state and local discretion determine the actual pattern of multi-program participation.[2] WIA also raises practical implementation issues at the state and local levels regarding funding and expenditures, one-stop center development, training access, the use of information technology, performance measures, and provider eligibility criteria.

What is certain is that WIA provides a platform for substantive changes that states and localities may build upon in accord with their own goals, context, and capacity. Policymakers and program administrators have considerable discretion concerning the intensity with which they embrace new WIA policies and practices. Whereas some perceive WIA as an opportunity to restructure their existing workforce development networks, others pursue a less aggressive, more cautious approach, incorporating mandatory provisions and selectively adopting options more compatible with their current service delivery practices.[3] Thus, WIA might best be viewed as a *catalyst* for progress toward a world-class, national workforce development system.

This *Rockefeller Report* introduces key features of the Workforce Investment Act and then examines some of the challenges that states and localities are facing as they implement it. While the nuts and bolts of systemic change are important, they must be viewed as part of a larger political process that is underway. These broader issues concerning the distribution of authority and responsibility for workforce development are part of an ongoing process known as "devolution," a pronounced shift of policy and program responsibility from the federal to state and local governments, as well as from governments to private providers and individuals.[4] WIA continues this trend, raising issues related to the balance of authority between the state and federal governments, the relative autonomy of localities within states, the extent to which collaboration between actors and across programs is feasible, and the relationship between market-based and institutional approaches to workforce development (King 1999b).

Description of the Workforce Investment Act

WIA directly addresses the Job Training Partnership Act of 1982 and the Wagner-Peyser Act of 1933 (both as amended), major pieces of federal legislation that have long been the foundation our national job training and employment services. The Act is comprised of five titles. *Title I, Workforce Investment Systems*, establishes the purpose, goals, and operational framework of the proposed system. Workforce services that increase the employment, retention, occupational skills, and earnings of participants are to be provided through One-Stop centers operating in local workforce investment areas. These services and their delivery system are intended to support the Act's goals of improving the quality of the workforce, reducing welfare dependency, and enhancing the productivity and competitiveness of the nation (Title 1, Section 106). *Title I* addresses the gamut of systemic topics, including governance, eligibility, service delivery, resource allocation, and accountability.

The remainder of the legislation wraps in new requirements for supportive partners in the workforce system. *Title II* reauthorizes adult education and family literacy programs through Fiscal Year 2003, and outlines their function and responsibilities in workforce development. *Title III* is comprised of amendments to Wagner-Peyser (labor exchange) and related acts, provisions regarding the national employment statistics system, and stipulations creating a Twenty-First Century Workforce Commission to study issues related to the information technology workforce. *Title IV* reauthorizes Rehabilitation Act programs and links them to the state and local workforce development systems. *Title V* contains general provisions that include authority for state unified plans regarding workforce programs, incentive grants for states exceeding negotiated performance standards under the WIA, the Adult Education Act and Perkins III, and transition provisions.

With support from The Rockefeller Institute of Government, researchers at the Ray Marshall Center analyzed the federal legislation and conducted an assessment of state and local preparedness for and early efforts at WIA implementation in Texas, Tennessee, and Washington during the summer and fall of 1999.[5] We have continued to track WIA implementa-

tion, reviewing state monitoring reports, policy directives, technical assistance guides, and related documents.[6] We also have gained invaluable insights regarding WIA implementation from discussions with policymakers, practitioners, and researchers from across the nation, many of whom are affiliated with the Rockefeller Institute's Field Research Network.[7] Workforce development will become a major research focus of the Institute's *State Capacity Project* in 2001 and 2002.

We found that the preparedness of states and localities, as well as the pathways they are following as they implement the provisions of the Act, varied notably. While all must navigate new territory to some extent, the magnitude of the challenges and opportunities that state policymakers and local workforce program administrators face depends largely on the degree to which WIA policies and practices were already part of their existing, pre-WIA workforce systems. For example, Texas had begun to move beyond barriers to seamless service delivery caused by categorical funding streams and to introduce other WIA-like changes supported by state legislation as early as 1993. In contrast, Tennessee remained firmly ensconced in old-style programmatic approaches to service delivery at the time of the field work. Some states and localities simply have a lot more ground to cover, both in terms of conceptualizing a more comprehensive approach to workforce services and in terms of its implementation.

Key Features of WIA

The Workforce Investment Act was the product of many forces.[8] In addition to adopting workforce policy changes that members of both parties had been pursuing over several sessions of Congress, WIA reflects elements of major workforce development reforms that states and federal agencies have been implementing over the last decade.[9]

WIA begins by phasing out, then restructuring workforce training programs formerly provided under the Job Training Partnership Act (JTPA), the cornerstone of federal job training efforts since 1982. It does so by adjusting governance, planning requirements, funding streams, performance measures, and service delivery procedures to enhance collaboration and systemic efficiency. Like JTPA, WIA envisions a private/public partnership that provides leadership and oversight for workforce programs through a network of local entities led by employer representatives, now termed Workforce Investment Boards (WIBs). WIBs nominally have much broader membership than their predecessors, Private Industry Councils (or PICs) under JTPA, because WIA recommends that all work pro-

grams associated with the one-stop center be represented. Local WIBs preside over Workforce Investment Areas, local labor market regions similar to the Service Delivery Areas (SDAs) formerly designated under the JTPA. Other key features of WIA include:

Planning. WIA mandates comprehensive, coordinated, longer-term (five-year) state-level strategic planning across workforce development programs. WIA Title I programs for adults, youth, and dislocated workers and Wagner-Peyser plans for state labor exchange services are *required* components of state workforce development plans. States are also encouraged by provisions of the Act to go beyond these required planning components and submit *unified plans* that may encompass the entire range of education and training programs that comprise workforce development.

The Act gave states the option to submit plans to the U.S. Department of Labor, the federal agency with primary WIA oversight responsibility, for early transition effective July 1, 1999, or to wait and submit them by April 2000 for July 1, 2000, implementation. Few states took the early planning route for many reasons, among them weak financial incentives for early submission and continuing regulatory uncertainty on key provisions of the legislation.

One-Stop Service Delivery. WIA institutionalizes the one-stop service center as the front end of the new local workforce system. The U.S. Department of Labor began providing planning and implementation grants to states and local areas in 1994 to deliver many employment and training services at a common location. WIA now *requires* one-stops nationwide and strongly recommends that they feature a comprehensive array of partners in the local service delivery configuration. In addition to the adult, youth, and dislocated worker programs that have traditionally been part of JTPA, required one-stop partners include the employment service, adult education, postsecondary vocational education, vocational rehabilitation, veterans programs, trade adjustment assistance, and unemployment insurance, among others. Other programs, including TANF work programs, school-to-work programs, and transportation agencies, are *optional* one-stop partners. Each program featured at the local one-stop center also should be represented on the WIB.

Work-First and Service Sequencing. WIA explicitly promotes a "work-first" approach to service delivery that was popularized under welfare-related programs in the 1990s. Work-first stresses immediate job search and labor market attachment as the best test of an individual's job readiness and training needs. Work-first contrasts sharply with the "human capital" approach more characteristic of JTPA service delivery. The latter

emphasizes education and skills training as essential to longer-term labor market success and increased worker productivity.

Moreover, WIA prescribes a stepped progression of clients — service sequencing — through *core*, *intensive,* and *job training* services for adults and dislocated workers.[10] Core services include basic job search assistance, usually self-directed, and various types of information provisions regarding job search efforts. Intensive services may include job readiness and job search seminars, i.e., activities led by a one-stop staff person that are designed to help a person prepare for finding (e.g., resume preparation, interviewing skills) and keeping a job (e.g., workplace literacy classes, conflict resolution, punctuality).

Substantive job skills training is reserved for those individuals for whom core and intensive services did not result in employment. Under JTPA, services were based on an assessment of individual aptitudes, strengths, and barriers to employment. Education and job skills training were seen as primary services.

Systemic Accountability. WIA goes beyond performance measures used under JTPA, introducing accountability mechanisms in support of providing better services to customers — both employers and job seekers — through a continuously improving workforce development system. Financial sanctions and incentives for states now are linked to performance on a series of *core performance indicators* whose negotiated standards must be met across federally funded job training, adult education, and vocational education programs. Outcome measures include employment entry, earnings, and job retention, as well as attainments in education and job skills training. Workforce systems must also develop state-level *customer satisfaction indicators* by which job seekers and employers assess the services that they receive. In addition, only those providers certified by the state may deliver individual training services for adults and dislocated workers.

Market Mechanisms. WIA places greater emphasis on the utilization of market mechanisms for service delivery than did earlier programs. Under JTPA, PIC staff typically negotiated standing contracts for training services with an array of service providers and frequently provided services in-house as well. WIA basically eliminates standing service contracts with job training providers in favor of *individual training accounts* (ITAs). ITAs are a voucher-like form of payment secured by WIA funds that individuals may use to purchase training of their choice, subject to conditions. First, the training should be in a "demand occupation," i.e., an occupation for which labor market information suggests a current and continuing need

for workers. Second, training providers must be certified as eligible based on their past performance before they can receive referrals for training.[11] In addition, direct service provision by WIB staff is precluded except under exceptional circumstances. Work-first and performance incentives are also market-based mechanisms that figure prominently in the emerging workforce training system under WIA.

WIA Implementation: Early Experiences in Three States

To capture a range of implementation experiences, we selected the states of Tennessee, Texas, and Washington as study sites reflecting varying degrees of conformance between current workforce programs and WIA provisions. Table 1 presents key state WIA features that indicate the variation in their readiness for WIA implementation in the fall of 1999.

Texas. WIA fit relatively well with the Texas workforce development network in terms of concept and practice (King 1999b). Thus, it was not surprising that Texas submitted a transitional plan that USDOL approved for early implementation beginning July 1, 1999. Texas already had in place many of the governance structures and service delivery mechanisms called for by WIA as a result of state workforce reforms passed in 1993 (Senate Bill 642) and 1995 (House Bill 1863). For example, the state consolidated administrative responsibility for major work programs in the Texas Workforce Commission and enlarged the composition of Local Workforce Development Boards in substate areas. The local boards, which readily conformed to the intent of the Act, were easily certified under WIA. Additionally, the state had established an extensive one-stop career center network.[12]

The state had also already introduced The Workforce Integrated System of Texas (TWIST) for multi-program data management and had begun to move away from program-specific performance measures, experimenting with cross-program accountability measures. Texas had also largely prohibited the use of standing subcontracts for workforce services, precluded boards from providing workforce services, adopted a strong and explicit customer orientation, and established a statewide database as the foundation for provider certification under a USDOL-funded Customer Report Card Project. In many respects, Texas has gone well beyond WIA, consolidating responsibility and resources for many other workforce related programs, such as the Food Stamp Employment and Training Program and

Table 1
Overview of WIA Planning and Implementation in Three Pilot Study States, Fall 1999

Features	*Texas*	*Tennessee*	*Washington*
Plan Submitted	4/1/99	4/28/99	4/1/00***
Plan Approved	6/30/99	No	No
Unified Plan	No	Yes	Yes
Transition Date	7/1/99	Unknown	7/1/00
State Board	Grandfathered	Grandfathered	Grandfathered
Local Boards	Grandfathered	No	Mix of grand-fathered and newly created
Board Certification Criteria	Yes	No	Yes
JTPA SDAs (#)	28*	14	12*
WIA Areas	28	No	12
One-Stop Network**	1994	1998	1998
Service Sequencing Policies	Yes	No	No
Individual Training Account Policies	Yes	No	No
Performance Measures	Yes	No	Yes
Performance Standards	Yes	No	No
Provider Certification Criteria	Yes	No	No
Statewide Workforce Data Management System	Yes	No	No

Notes:
* Texas restructured its 34 JTPA SDAs as 28 Workforce Development Areas prior to WIA, while Washington retained its existing 12 SDAs for WIA implementation.
** Year received initial USDOL One-Stop Implementation Grant.
*** Target Date

even federal and state child care programs, at the state level (in the Texas Workforce Commission) and local level (in its workforce boards).

Despite its apparent readiness for transition to WIA, Texas encountered policy and operational issues as it began full implementation. These included provider certification procedures, service sequencing, training access, information management, and employer engagement. In fact,

community colleges — the major provider of work-related education and training services in most areas of Texas and many other states as well — found the initial provider certification procedures onerous and nearly refused to participate until the procedures were simplified.

Washington. Washington policymakers spent most of 1999 sorting through policy and planning issues surrounding WIA in anticipation of July 2000 implementation. Unlike Texas, Washington lacked enabling state legislation to restructure its State Workforce Investment Board, known as the Workforce Training and Education Coordinating Board (WTECB), to conform to WIA and had been operating under executive order. Under the guidance of the WTECB and the state's Employment Security Department, the state certified its twelve local Workforce Development Councils (WDCs) by October 1999. It submitted one of only a few unified state plans to USDOL by April 1, 2000. The state retained the geographic boundaries of the existing JTPA service delivery areas (SDAs) and gave considerable leeway to localities regarding the composition of local WDCs.

Washington only recently initiated its one-stop network (known as WorkSource) and has been working to get WorkSource offices up and running statewide. Administrators have found that maintaining consistent statewide features and practices, while transitioning responsibility for building the one-stop system from the Employment Security Department to the local areas, is challenging, as are tasks associated with implementing cost-sharing arrangements for one-stop partners and commingling multiple funding streams.

By late 1999, the state had also not yet begun to address such details of WIA policy as ITAs and provider certification. There remained wide variance in interpretations of WIA regulatory requirements as federal, state, and local policymakers and practitioners sorted out the requirements and intent of the Act. Other key planning and implementation issues in Washington have been local WDC composition, joint accountability across program areas, tension between the human capital and work-first approaches to service delivery, transition funding, and the adequacy of training resources.

Tennessee. Tennessee presents a very different situation from Texas and Washington State in all respects. Although the state submitted a "transitional" WIA plan to begin transforming its existing JTPA structures and services in 1999-2000, USDOL did not approve its plan. The state had considerable work to do preparing for the eventual transition. Tennessee only established its first one-stop centers in late 1998: The Nashville one-stop

center began operations in December 1998, while the one-stop in Memphis — by far the state's largest program in terms of dollars and participants — only opened its doors in the spring of 1999. Prior to WIA's passage, Tennessee had taken only the most limited steps towards creating a more market-oriented system for the delivery of employment and job training services. The workforce network remained governed by old-style, narrow JTPA PICs, rather than the newer generation of broad-based workforce boards. Training participants in Tennessee's larger SDAs were typically served either under the auspices of standing subcontracts or by in-house PIC staff.

Tennessee ultimately restructured its existing service boundaries slightly in the fall of 1999, opting for 14 local workforce boards. In addition, Tennessee has a longstanding tradition of top-down planning and implementation that is not as evident in the other two states. Local programs may have had some input on key decisions affecting the system, but many of these decisions seem to be unilateral, state-level decisions. The transfer of increased program responsibility to local areas may require significant shifts in state workforce program planning and administration. Tennessee has a long way to go in making the shift from JTPA to WIA in all respects, and, given its traditions, it will take considerable *state* initiative to get there.

Practical Implementation Issues

States and localities face an array of implementation issues under WIA, many of which were initially complicated by regulatory uncertainty and relatively short implementation time frames. *Interim Final Regulations* were issued in April 1999, but these did not fully address important state and local implementation concerns.[13] *Final Regulations* for WIA were not issued until August 11, 2000. Moreover, local managers and providers remained uncertain about how broadly or narrowly regulations would be interpreted by federal and state agencies. Planning and policy clarification requires federal, state, and local exchanges. Since most states began formal WIA transition in July 2000, such exchanges have necessarily occurred in a very compressed time frame.

WIA implementation schedules may lead administrators to introduce initiatives before the necessary policies and procedures have been established, or before adequate capacity has been developed within the system; doing so can be risky. For example, the Texas Workforce Commission, one of the first state agencies to implement sweeping workforce reforms, was

criticized for contracting services with local boards and providers before their fiscal capacity had been adequately screened (Riley 1999).

Funding. States and localities are also negotiating important changes related to the allocation and expenditure of federal workforce funds. WIA funding provisions are very different from those under JTPA. WIA consolidates training funds into three broad streams for adults, youth, and dislocated workers — eliminating separate funding for summer youth programs, older worker programs, and education coordination.[14]

The elimination of summer youth programs, initially a source of major concern for program administrators in large urban areas, has been offset somewhat by the creation of the federal Youth Opportunity Grants. Other funding allocation provisions are more problematic. First, under JTPA the local funding level was assured at no less than 90 percent of the prior-year allocation, regardless of the outcome of the formula allocation process. WIA eliminates JTPA's 90 percent "hold-harmless" provision for the first two years of implementation, which may have a dramatic effect on local WIBs. For example, the Snohomish Workforce Development Council in Washington, blessed with a vibrant economy for several years, received the maximum 10 percent cut in JTPA II-A adult funding in 1999. Without the hold-harmless provision, Snohomish anticipated an additional 30-40 percent WIA funding cut for 2000. Second, WIA also lowered state and local administrative caps by five percent and modified the rules for assigning costs to administration or operations categories. Third, WIA limited the use of JTPA funds for transition to only two percent in 1999.

WIA funding provisions may also give rise to new opportunities for workforce development. The Act allows governors to hold up to 15 percent in state reserve from adult, youth, and dislocated worker funding streams. These funds may be pooled and expended without regard to the source of funding and are intended to encourage local flexibility and creativity. Such funds may be used for incumbent worker programs, pilot projects, research and evaluation, and other special initiatives.

Program administrators under WIA must now budget and account for commingled funds, not only among core, intensive, and training services, but also across partner agencies and related programs. One simplifying approach is to use Wagner-Peyser labor exchange funds to support core and some intensive services.[15] Since the early 1980s, governors have used Wagner-Peyser 10 percent discretionary funds to support innovative training initiatives at the state and local level that would not have been possible under existing provisions.[16] Washington and Texas have designated self-directed activities using the latest technologies for labor market infor-

mation as core services. Washington may use Wagner-Peyser funds primarily for the provision of information technology infrastructure, while Texas has already made rapid advances in automated services in UI and employment services in recent years.

One-Stop Approach. The one-stop center is the defining institution for workforce service delivery under WIA. The concept of the one-stop promises efficiency and effectiveness by optimizing the use of resources and technology, while eliminating unnecessary duplication. Although there has been considerable progress in one-stop development since 1994, many practical challenges can be identified.

Building collaboration and establishing proportional responsibility among the multiple required and optional partners, in terms of both cost sharing for services and infrastructure development, are difficult and time consuming tasks. To implement new ways of delivering and monitoring employment, training, and related services requires significant investments in human and technical resources. The cost-effectiveness of one-stops is likely realized only after they are operational.

Federal one-stop implementation grant funding ended in June 2000, after which states and localities had to find alternative sources of support for their efforts. Cost-sharing agreements, joint staff training, and local electronic networking are but a few areas that require significant initial resource commitments. Moreover, WIA suggests that one-stop partnerships be built through Memoranda of Understanding, but this *pro forma* approach obscures the complexities associated with establishing and maintaining complex operational linkages.

States and localities also vary in terms of the *inclusiveness* of their one-stop partnerships. Inclusion of TANF-related work programs is optional under WIA, and practice varies widely among the states. Texas Workforce Centers are largely structured around JTPA, Welfare-to-Work, TANF, and Food Stamp E&T services that are contracted locally through the Workforce Development Boards and delivered alongside other employment related programs (e.g., veterans, offenders) administered directly by the Texas Workforce Commission at the centers. These centers provide information and referrals to other collaborators (e.g., vocational rehabilitation, adult education, community and technical colleges). In Washington, the state is requiring additional partnerships beyond those mandated under WIA, particularly through strengthening the connections with postsecondary vocational and adult education networks within its local WorkSource Centers. After initially excluding TANF from the WorkSource Centers, Washington State policy now recommends its inclu-

sion. Tennessee's partnership criteria are more like those in Texas: Its "core agency" partners are largely those operating traditional employment and training programs.

The perceived benefits from one-stop participation is an issue as well. Potential partners may view participation in one-stops as a dilution of their institutional missions and a weakening of control over the quality of services provided to their designated target groups. For example, vocational rehabilitation specialists, who generally harbor mixed feelings regarding the degree to which their clients should be "mainstreamed" for service delivery, are concerned that the unique needs of their populations will not be adequately served by core and intensive activities offered through the one-stops.

Similarly, many community and technical college administrators feel that they are already addressing workforce and employer needs through their existing campus (degree and nondegree) offerings. Job seekers know to go to the community college for work-related education and training, and that college financial aid specialists will assist them with the financing to do so. One-stop participation requires additional staff and resource commitments from them for benefits that are both unclear and uncertain.

Access to Training. The level of training available to workers and employers under WIA is questionable and is embedded in the tension between work-first and human capital approaches to workforce development. WIA encourages a work-first approach to service provision, relying on the labor market to test a worker's need for training. Yet, it also clearly considers job seekers and employers as its two primary clients whose needs should be addressed in a customer-driven system. The skills development needs of these customers may be underserved by the work-first approach; strong adherence diminishes the workforce system's capacity to meet the skills training needs of individuals and employers.

Moreover, core and intensive services may well absorb the available training dollars under WIA. Administrators will have to be more creative at funding skills training from other sources. Washington State staff were quick to emphasize the potential for expanding the role of community and technical colleges and other funding sources (for example, Welfare-to-Work grants, state-funded training programs, Pell grants, and student loans).[17] At end of its transition year, only two of Texas' 28 workforce boards were funding significant skills training.[18]

Customized training and on-the-job training (OJT) are additional training activities authorized under WIA. These training approaches are not

subject to provider certification and ITA provisions. Customized training and OJT, thus, provide flexibility, particularly for meeting the needs of local employers and therefore may account for more regular access to training under WIA.

Information Management. To manage multiple programs and measure performance, most states and localities must make major improvements in their information management systems. Some states, like Texas with its TWIST system, are independently developing their own information management systems. Others like Washington have considered adopting the publicly available One-Stop Operating System (OSOS) funded and supported by USDOL. One promising result of these new information management approaches is widespread linking of training-related administrative records with UI wage records for measuring outcomes, a process with which only a handful of states have had extensive experience (King and Schexnayder 1998).

Devolution Perspectives and Issues

These WIA planning and implementation issues take on greater significance in the context of ongoing devolution of policy and program decisionmaking. Five significant devolution issues that arise under WIA are authority, autonomy, collaboration, personal responsibility, and reliance on market-based approaches.

Authority. There is a real question concerning how much authority the federal government is actually delegating to the states and states to local WIBs under WIA. It is also unclear how much flexibility states and localities have under the Act and to what extent they will they exercise it. The legislation stopped well short of block-granting workforce development funds (Barnow and King 2000, p. 6ff.), eliminating categorical funding constraints, or reducing categorical planning and reporting requirements. In addition, some analysts view WIA as yet another exercise in coercive federalism; that is, it offers states greater authority, but adds significant constraints as it does so (King 1999a). The locus of decision making seems to be shifting to the state level, but not without the many new federal policy requirements discussed in this report.

The reality is that WIA accounts for only a very small share of the funds potentially available for workforce development, yet state and local WIBs are expected to provide leadership for and direction to this larger workforce system over which they have little or no authority. In Texas, for

example, career and technical education funds controlled by the Texas Education Agency and the Texas Higher Education Coordinating Board accounted for at least forty percent of all funds spent on workforce development (King 1999b). Within the Texas Workforce Commission, which administers the majority of workforce program services delivered in the state, WIA funds account for only *one-sixth* of the overall budget for workforce services in FY 2000. The remainder is comprised of Welfare-to-Work grants, Food Stamp E&T, TANF work programs, the Employment Service, child care, and other services. Of these, child care constitutes the single largest program. Similarly, Washington State estimated that community and technical vocational education accounted for 25 percent of all workforce development expenditures, compared to only 7 percent for WIA. The WIA tail is somehow expected to wag the much larger workforce dog. Such expectations are unrealistic to say the least.

Autonomy. WIA ostensibly facilitates increased responsiveness to local economic and labor market conditions and implies a high degree of autonomy locally through elected officials and WIBs. Yet autonomy for planning and implementation occurs within state structures, policy, and practices and is conditioned by local capacity for leadership, management, and innovation as well. The relationship between these factors varies widely.

In Washington, decentralization was at the forefront of early WIA discussions. State and local decision-making responsibilities for WIA evolved in the pretransition year as the state board and proposed local councils pursued a consensus-oriented approach to negotiating specific WIA policy and program details.

Texas historically has espoused a "top-down/bottom-up" approach that entails extensive use of advisory groups comprised of representatives from the state and local levels. During the state's early WIA implementation phase, Texas administrators at times deviated somewhat from this approach. Key decisions were handled more from the "top-down" under WIA than under preceding workforce reforms. State administrators proposed policies and practices (e.g., performance measures and standards, provider certification, child care provision), and then negotiated with those local areas that were willing to confront the state's proposal. Such willingness and capacity to challenge centralized decisions varies across the state.

Tennessee approached early planning and implementation of WIA as a state-directed, top-down exercise with little real consultation with key local workforce actors. Tennessee lacks an established tradition of state/local consultation that characterizes both Texas and Washington. In addition, re-

sponsibility for key state workforce functions was reorganized substantially in 1999, first through a governor's Executive Order (Spring 1999), then in state legislation (late June 1999). At various points in the process, it was difficult for some state and most local actors to determine who was making key decisions regarding WIA.

Collaboration. WIA strives both to improve workforce quality and to enhance the productivity and competitiveness of the nation by streamlining services, eliminating unnecessary duplication, and redirecting resources gained by systemic efficiencies to more and better workforce services. WIA takes several steps in this direction through its governance structure (particularly WIB representation), institutionalization of one-stop centers, and accountability tied to sanctions and incentives across the training, adult education, and vocational education subsystems. Nevertheless, there are concerns that WIA lacks the means required to build the extensive collaboration that it proposes. There are concerns that the Act did not sufficiently:

- Fund the transition to and ongoing support for a more collaborative model of workforce service delivery;
- Address the divergent missions of required partners or their sensitivity to target populations, e.g., vocational rehabilitation; or
- Reduce categorical planning and reporting requirements.

States and localities have been moving toward greater collaboration in workforce service delivery for at least a decade.[19] This has been reflected in legislation, government reorganization, and innovative program policies and practices in many states. Federal one-stop planning and implementation grants, as well as other federal initiatives, have provided direction and support for these efforts. Many of those involved in delivering workforce services would like to see Congress and the responsible federal agencies (e.g., the Department of Education, the Department of Labor, and the Department of Health and Human Services) demonstrate greater collaboration at the national level before legislating it at the state and local levels. Some suggest that Congress has "punted" the difficult task of building a comprehensive workforce system to states and localities (Barnow and King 2000).

Personal Responsibility. Personal responsibility is a major theme in federal and state welfare reforms in the 1990s (Nathan and Gais 1999). It has also become one of the central features of workforce development reforms including WIA. Individuals are now expected to shoulder primary responsibility for choosing their career, financing the acquisition of skills

to pursue it, finding their first and subsequent jobs and ultimately maintaining their employability over the course of their lifetimes (King et al. 2000).

Under WIA, the emphasis on personal responsibility is evident in the shift to ITAs for financing training for adults and dislocated workers. In addition, although it is not obvious from examining WIA alone, there has also been a shift in workforce funding from places to individuals (and families) in the form of Pell Grants and Loans and other related forms of financing. The value of Pell Grants increased from $6.0 to $6.7 billion from 1990 to 1997, while the total value of federally supported education loans to families went from $15.1 to $22.0 billion over this same period (King 1999a, p. 64). Noneducation federal workforce funding over this period dropped although it has since bounced back, largely with added strings attached (e.g., targeting and service restrictions). Individuals and their families are thus likely to be responsible for making and financing more of their own career and employment decisions in the immediate future, an emphasis that is reflected in WIA and related programs. States and localities may vary in the degree to which they stress personal responsibility as they implement WIA.

Market vs. Institutional Approaches. The Act both reinforces and introduces new market-oriented approaches as essential features of the workforce system.[20] Key market-oriented features include provider certification, individual training accounts, customer satisfaction measures, and systemic performance measures across subsystems tied to incentives and sanctions. While the anticipated efficiencies of a market-based approach are generally accepted among practitioners, they remain largely untested. There is considerable tension between the supporters of market-based and institutional approaches to workforce development. Strict market-based approaches are not appropriate for all types of services or for all target groups. A more balanced approach of markets and institutions may be required in the workforce development system.

One basic concern is whether sufficient markets yet exist for workforce services. JTPA historically met the job training needs of only a small proportion of all those eligible for services, let alone the education and training needs of the entire workforce. Additionally, only a minority of potential customers (including employers and job seekers) traditionally has used public employment services. To enlarge the customer base, the workforce system must succeed in institutionalizing one-stop centers as the primary point of contact in a quality workforce system. The emerging one-stop centers still have little public identity and thus require better marketing efforts.[22]

Several market-oriented features raise concerns. Provider certification criteria may preclude the participation of service providers who have been effective but who have not kept the requisite outcomes data. Local literacy or adult education programs in particular may lack adequate data collection and reporting systems to become certified providers. Provider certification initially created considerable problems in a number of Texas workforce areas because of uncertain (and changing) state procedures.[23] The limitation or elimination of standing contracts also may signal the demise of small community-based providers who have been providing important niche services (e.g., serving key target populations). Additionally, ITAs may not prove to be cost-effective or work well for all target groups. Private vendors in less competitive areas may tend to set the cost of services as close as possible to the *maximum* per-client expenditure allowable, as opposed to more cost-effective pricing negotiated under standing contracts. And, low-literacy groups may find it difficult to make informed choices among providers without additional assistance even with enhanced provider performance information. There is much about the shift towards market-based service delivery that has yet to be fully tested in practice.

Concluding Observations

Will the Workforce Investment Act move the country significantly toward a premier workforce development system? WIA provides a foundation for a public/private partnership in which the public sector contributes oversight, guidance, and resources to state and local workforce boards to meet the training and employment needs of residents and employers through one-stop networks. WIA features many opportunities for creativity and innovation, but it also has numerous limitations and inherent tensions that this report has outlined. At this initial phase, the Act is best perceived as a catalyst for progress toward a comprehensive, national workforce development system. Its ultimate success depends on the efforts of public and private interests working towards a common vision of an increasingly productive, skilled workforce.

While the last official date for implementing WIA was July 1, 2000, the real transition process will take far longer. The elements of change and range of challenges related to workforce development extend far beyond the Act's immediate legislative and programmatic reach. WIA implementation is inseparable from ongoing changes in supportive areas such as vocational rehabilitation, adult education and literacy programs, as well as secondary and postsecondary vocational education. Moreover, these changes are taking place while employers, workers, and communities are

continuing to adapt to the pressures of the New Economy with its imperatives for speed, flexibility, and change.

Next Steps

The Rockefeller Institute is planning a major study of the capacity of states and localities to implement newly devolved responsibilities for workforce development policies and programs beginning in the fall of 2001. The study will be jointly directed by Christopher King, director of the Ray Marshall Center at the University of Texas at Austin and Burt Barnow, associate director of the Institute for Policy Studies at Johns Hopkins University, working closely with Richard P. Nathan and Thomas Gais at The Nelson A. Rockefeller Institute of Government, State University of New York, and the Field Research Network. Up to 10 of the 23 states that are now participating in the State Capacity Study will be selected for participation. Fieldwork will also be conducted in two local areas in each of the selected study states. Issues for examination include many of those highlighted in this report as well as others that may surface in the months to come.

Endnotes

1 The Commission on the Skills of the American Workforce's 1990 report *America's Choice: High Skills or Low Wages!* established the initial direction and led to bipartisan support for workforce reforms in the 1990s.

2 WIA requires administrative entities of fourteen separate federally funded workforce programs to develop Memoranda of Understanding advancing collaborative efforts. Inclusion of the Temporary Assistance to Needy Families (TANF) work program administrative entity is optional.

3 The administrative "buy-in" to WIA provisions may also vary between state-level and local-level program administrators, as well as across program administrators operating at either the state level or the local level.

4 Devolution was clearly evident in recent welfare reforms with the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 that shifted decision-making authority from the federal government to states and localities and individuals. Nathan and Gais (1999) examine early implementation of the Personal Responsibility Act of 1996 and its implications for state and local capacity.

5 Researchers also conducted fieldwork in several substate areas within each state. Texas sites included the *Gulf Coast Workforce Development Area*, comprising Houston and the surrounding twelve-county area; and the *Dallas County Workforce Development Area*. Washington State sites included the *Tri-County Consortium* centered in Yakima and serving the largely agricultural communities east of the Cascade Mountains; the five-county *Pacific Mountain Consortium*, comprised of Olympia and the surrounding

rural areas; and mostly urban *Snohomish County*, just north of Seattle. In Tennessee, the sites were the *Nashville* and *Memphis* areas.

6 The National Governors Association maintains a website to access federal policy directives.

7 Two Rockefeller Field Researchers were especially helpful: University of Memphis Professor John Gnuschke and Betty Jane Narver, director of the University of Washington's Institute for Public Policy and Management. Dr. Gnuschke's colleague at the University of Memphis, Lee Grehan, and Ellen O'Brien Saunders, and the staff at the Washington State Workforce Training and Education Coordinating Board offered invaluable guidance as well.

8 For a more detailed discussion of WIA, Perkins III, and the factors leading to their passage, see Barnow and King (2000) and King (1999a).

9 Leading-edge state and local workforce reforms are discussed in Grubb et al. (1999) and Barnow and King (2000).

10 WIA dictates a sequence of core, intensive, and training services, but allows local discretion regarding the duration or appropriateness of services. This interpretation of WIA service sequencing was reflected in USDOL's *Interim* as well as *Final WIA Regulations*. In late 1999, most state and local spokespersons contacted felt they had sufficient discretion to structure their workforce services as they saw fit.

11 Customized training for employers and standard on-the-job training may be provided outside the ITA and provider certification provisions.

12 By July 1999, Texas already had 112 operational one-stop centers statewide, 55 of which were designated "full-service" centers.

13 Two common areas of concern were the relationship between WIA training dollars and Pell grants, and the acceptable parameters for modifying local PIC composition for certification as WIBs. States and localities may have faced a difficult challenge in this regard under workforce reform, but they had a much harder time under welfare reform. The U.S. Department of Health and Human Services until almost two years after its passage did not issue interim regulations for the Personal Responsibility Act.

14 The consolidation of funding streams could have been more comprehensive, moving more in the direction of a federal block grant for workforce development.

15 Wagner-Peyser labor exchange activities encompass job matching, labor market information, career counseling, and assessment, among others.

16 Examples from Texas suggest that the use of this source is bipartisan. In the early 1990s, Democratic Governor Ann Richards allocated several million dollars to support the development and early operations of Project QUEST, a San Antonio training project that won a 1995 Ford Foundation *Innovations-in-Government Award*. In the mid-1990s, Republican Governor George W. Bush turned to the same source to support Capital IDEA, a QUEST-like training project in Austin, and EnterTech, a highly interactive, soft skills training project set in a virtual work environment and delivered via CD-ROM and the internet.

17 A few staff downplayed the potential scarcity of training resources, noting that WIA is not really about training, but rather about placements in accord with the work-first approach embodied in the legislation.

18 In the absence of any real support for training, there has been little pressure placed on newly emerging ITA and provider certification procedures.

19 Collaborative approaches to planning and delivering workforce services actually have been prominent in earlier eras, beginning with the Cooperative Area Manpower Planning Services (CAMPS) and Concentrated Employment Program (CEP) initiatives of the late 1960s. In many respects, CEP was the first federal effort to establish one-stop shopping for workforce services.

20 For an extended discussion of market-based versus institutional approaches, see Grubb et al. (1999).

22 Texas Workforce Centers have poor signage and inconsistent names, i.e., many of them bear the name of the operating organization or the local workforce area and cannot easily be located in a telephone directory.

23 At one point, state provider certification procedures all but shut down WIA-funded enrollments in community and technical colleges, the single largest provider system in the state.

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